EXCISE

143

DEPARTMENT OF STATE

BRIEFING PAPER

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IRAQ - IRAN WAR

I. Statement of the Issue

The overall issue is how to bring the war to a speedy conclusion while protecting fundamental U.S. interests. (A ceasefire, possibly a token Iraqi withdrawal, and the establishment of a mediation mechanism would meet immediate U.S. goals). While an extended conflict could offer the U.S. some opportunities (e.g., to accelerate a resolution of the hostage crisis, to improve communications with Baghdad), on the whole it works against U.S. interests. The continued loss of Iraqi and Iranian oil exports (our efforts to deal with the oil problem are discussed in a separate paper), combined with the heightened risks of Soviet meddling and a spread of the conflict to other Gulf states, give us an interest in ending the war.

Other important policy issues will be examined in other papers. This paper addresses the need to deal with: (1) complications which could arise from a resolution of the hostage crisis and the unfreezing of some Iranian assets; (2) the need for new or strengthened international initiatives to bring about a ceasefire; and (3) military equipment sales to Iran or Iraq which could alter the impartial stance which most important countries, including the Soviet Union, have generally followed so far.

A major impediment to the realization of U.S. goals is the reluctance of major countries to take a firm stance on the conditions for ending the conflict out of fear that their relationships with the two countries and their access to their oil will be compromised in the post-war period.

II. Time Constraints

Oil Price Increase. By late January or early February, we may be faced with the need to exert strong efforts both to achieve an early end to hostilities and to coordinate

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an effective response by the oil importing nations to the reduction in oil supplies in order to avoid another large and damaging increase in oil prices.

Post-hostage Posture. It is conceivable that--within the first 30 days of the new Administration--special measures will be needed to cope with complications arising from a possible resolution of the hostage crisis and the unfreezing of some Iranian assets. The possibility of balancing what may be seen as a U.S. tilt towards Iran through some gesture to Iraq will have to be determined (e.g., approving the sale of Boeing commercial aircraft to Iraqi airlines). Administration efforts to be flexible in dealing with these complicated issues could cut across negative Congressional and public views towards both Iraq and Iran, and will have profound implications for U.S. relations with the Arab and Islamic world.

III. What We Are Doing and Why

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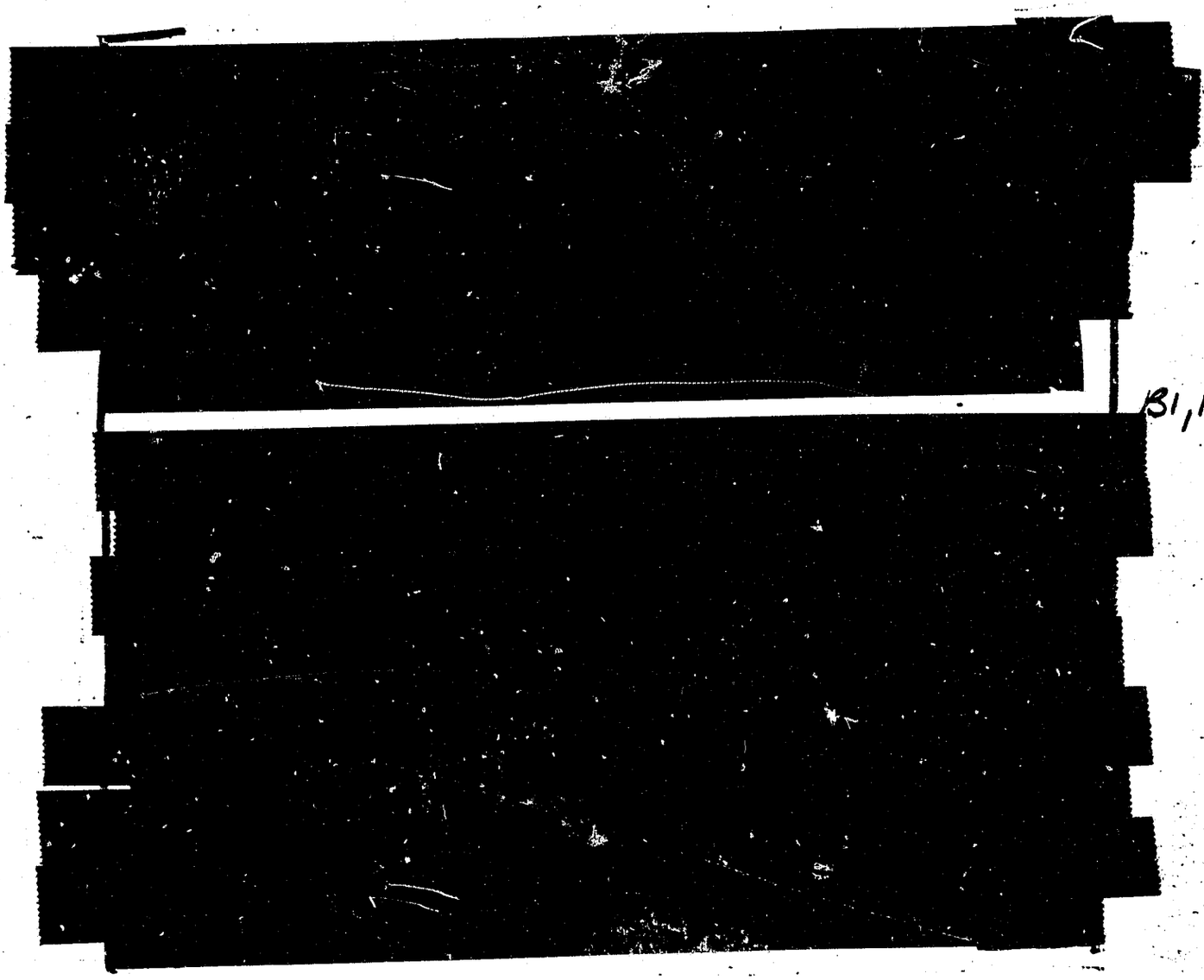

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